

**CITY OF LOS ANGELES**  
CALIFORNIARICHARD L. BENBOW  
GENERAL MANAGERCOMMUNITY DEVELOPMENT  
DEPARTMENT1200 WEST SEVENTH STREET  
LOS ANGELES, CA 90017ANTONIO R. VILLARAIGOSA  
MAYOR

Council File: 08-0135  
Council District No.: 7  
Contact Persons & Telephone No.:  
Ninoos Y. Benjamin 744-7392  
May M. Smith 744-9360

July 23, 2008

Honorable Antonio R. Villaraigosa  
Mayor, City of Los Angeles  
Room 303, City Hall

**Attention June Lagmay, Legislative Coordinator**

**COMMITTEE TRANSMITTAL: REQUEST APPROVAL OF A RESOLUTION AUTHORIZING THE ISSUANCE OF \$2,000,000 TAX-EXEMPT INDUSTRIAL DEVELOPMENT BONDS BY THE INDUSTRIAL DEVELOPMENT AUTHORITY FOR THE BENEFIT OF DRAPES 4 SHOW, INC. / KH ENTERPRISES, LLC**

**DEADLINE FOR ACTION**

The General Manager, Community Development Department (CDD), respectfully requests that your office forward this transmittal to the City Council for expedited review and approval in order to meet a September 22, 2008 allocation application deadline with the California Industrial Development Financing Advisory Commission (CIDFAC).

**RECOMMENDATIONS**

The General Manager, CDD, requests that the Mayor and City Council:

1. AUTHORIZE the General Manager, CDD, or his designee, to negotiate and execute all agreements required for the issuance of \$2,000,000 tax-exempt industrial development bonds (the "Bonds"), subject to review and approval of the City Attorney as to form and legality;
2. ADOPT the accompanying Resolution approving the Bonds for the purpose of Section 147(f) of the Internal Revenue Code of 1986 (Attachment I); and

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Drapes 4 Show, Inc.

July 23, 2008  
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3. Find the subject project necessary and appropriate to accomplish the City's community and economic development objectives.

### **FISCAL IMPACT STATEMENT**

There is no General Fund impact to the City from the proposed financing. This action complies with City financial and debt management policies in that bond proceeds are generated from private investor capital and require no pledge of public funds for their backing, security or repayment. The primary source of repayment will be the operating revenues of Drapes 4 Show, Inc. (the "Borrower") which will be used to retire the bond payments. The City provides no funds in this transaction, is not providing any financial assistance to this project and does not incur any responsibility for the repayment or ensuring repayment of the referenced debt. Under the structure and terms of this financing, the City will not bear any financial responsibility for repayment of the bonds under any circumstances. The Industrial Development Authority (IDA) will receive \$5,000 in issuance fees.

### **BACKGROUND**

Drapes 4 Show is a Los Angeles-based manufacturer of textile products and commercial linens, primarily for use in hotels, convention centers, and other event-oriented functions. Karen Honigberg, President of Drapes 4 Show, started the business in her garage in 1981, sewing table skirts and backdrop drapery for booths at trade shows. It has since grown into a successful family-business, which includes her husband Jack Hendershot, Chief Financial Officer, and son Jason Honigberg, Vice President of Sales.

Currently, with thirty-seven (37) employees, Drapes 4 Show produces table draping and backdrop features for display tables at conventions, along with high-quality tablecloths, napkins, throw covers and table linens for various clients in the hospitality industry. The company's major clients include Baltic Linen, Four Seasons Hotel, Marriott Hotel, Ritz Carlton and the MGM Grand in Las Vegas.

In the past three years, the company's average annual growth rate of ten to fifteen percent has been constrained by the small size of its production space at its presently 6,500-square-foot facility in Calabasas. With little room to accommodate the expanding business, Drapes 4 Show began looking to acquire a new facility, and considered relocating its operations to Las Vegas, Nevada. However, in the interest of remaining in Los Angeles and retaining its workforce, Drapes 4 Show sought local programs and incentives offered by the State Enterprise Zone and financial assistance from the Community Redevelopment Agency of the City of Los Angeles (CRA).

Working closely with CRA, the company purchased a facility within a CRA Redevelopment Project Area in Sylmar. Drapes 4 Show formed a new California limited liability corporation named KH Enterprises, LLC to own the property.

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Drapes 4 Show, Inc.

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## PROJECT OVERVIEW

This project consists of the acquisition and rehabilitation of a 16,800-square-foot textile manufacturing facility located at 12811 Foothill Blvd., Sylmar, CA 91342 (the "Project"). Acquisition of the Project will: (a) provide the necessary space to store larger amount of raw material for manufacturing; (b) expand the company's product line; and (c) house additional equipment to produce for an increasing number of orders.

The total cost to relocate from Calabasas to Sylmar is estimated at approximately \$3,600,000, including acquisition, rehabilitation, financing and related costs. The Borrower is seeking bond financing in an amount not to exceed \$2,000,000.

The Project is located within Council District 7. CDD has on file a support letter from Councilmember Richard Alarcon dated December 20, 2007.

## PROJECT FINANCING

The bond team is currently working with the Borrower to complete a tax-exempt industrial development bond issue. Comerica Bank has provided a commitment to issue a Letter of Credit in the amount of \$1,801,260 which will expire on November 30, 2008. The Letter of Credit is for a period of five (5) years at an annual fee of 1.5 percent. The IDA Board of Directors adopted a \$2,000,000 reimbursement resolution for the Project on July 12, 2007.

Comerica Bank has facilitated acquisition of the building by Borrower by extending a \$1,775,000 bridge loan to be repaid from the bond proceeds.

CRA supported the purchase of the building by providing a \$900,000 acquisition and development loan at 3 percent interest, with a debt forgiveness schedule similar to that of a conditional grant for a duration of ten (10) years. Ten percent of the principal plus interest will be forgiven each year provided the number of living wage jobs are created and maintained (see Council File 08-0135). A cash equity of \$700,000 from the Borrower will cover the remainder of the anticipated \$3,600,000 total project cost. Escrow on the property closed on February 28, 2008.

<u>Projected Sources of Funds:</u>		<u>% Total</u>
Bond Proceeds	\$2,000,000	55.6 %
CRA's Conditional Grant	\$ 900,000	25.0 %
Borrower Equity	<u>\$ 700,000</u>	<u>19.4 %</u>
Total Sources:	\$3,600,000	100.0 %

<u>Projected Uses of Funds:</u>		<u>% Total</u>
Building Purchase	\$2,680,000	74.4 %
Leasehold Improvements	\$ 400,000	11.1 %
Relocation Expense	\$ 100,000	2.8 %
Bond Issuance Cost	\$ 140,000	3.9 %

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Drapes 4 Show, Inc.

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Furniture, Fixture & Equipment	\$ 40,000	1.1 %
Escrow Fees	\$ 40,000	1.1 %
Cash Reserve	<u>\$ 200,000</u>	<u>5.6 %</u>
Total Uses:	\$3,600,000	100.0 %

Primary finance team members involved in the transaction include the following:

<b>Issuer:</b>	Industrial Development Authority of the City of Los Angeles (May M. Smith)
<b>Issuer's Counsel:</b>	City Attorney, City of Los Angeles (Colin Chiu)
<b>Financial Advisor:</b>	Los Angeles LDC, Inc. (Michael Banner)
<b>Borrower:</b>	Drapes 4 Show, Inc. (Jason Honigberg)
<b>Bond Counsel:</b>	Fulbright & Jaworski, LLP (Victor Hsu)
<b>Lender:</b>	Comerica Bank (Daniel J. Esposito)

## STAFFING AND WAGES

Drapes 4 Show currently employs thirty-seven (37) individuals with hourly and average salary ranges as set forth in the following table.

Position	Hourly Wage Range	Average Hourly Wage	Current Employees	Employees 12 Mos. After Bond Issue	Employees 24 Mos. After Bond Issue
Managerial	\$25 - \$43.75	\$ 35.83	3	4	4
Skilled	\$15 - \$50	\$ 28.20	8	10	11
Semi-Skilled	\$10 - \$14	\$ 12.00	26	26	26
Unskilled	\$10	\$ 10.00	0	6	8
<b>TOTAL</b>			37	46	49

Full-time employees receive a full benefits package that includes medical insurance, paid holidays, vacation and sick leave. The Borrower will comply with the City's Living Wage Ordinance, which became effective following the close of escrow and will run for a period of eighteen (18) years.

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Drapes 4 Show, Inc.

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In addition to the thirty-seven (37) net new jobs being transferred from Calabasas to Los Angeles, the Borrower also expects to create nine (9) new jobs within the next 12 months from bond issuance, and another three (3) new jobs within 24 months thereafter for a total of twelve (12) new jobs.

## **PUBLIC HEARING**

Section 147(f) of the Internal Revenue Code requires the local government agency having jurisdiction over the area in which the project facilities are located conduct the required public hearing regarding the proposed financing and the applicable elected representative, i.e., the Los Angeles City Council, approve the financing of the project.

On April 14, 2008, a notice of public hearing pursuant to the Tax Equity and Fiscal Responsibility Act of 1982 (the "TEFRA Hearing") was published in a newspaper of general circulation within the City. The TEFRA Hearing was held on April 29, 2008. No public comments were made at the TEFRA Hearing with respect to the financing of the Project. The TEFRA minutes are attached as Attachment II.

A copy of this transmittal and all supporting legal documents were forwarded to the City's bond counsel for review and approval. In addition, copies of the legal documents have also been sent to the City Attorney's Office for concurrent review and approval. Based on a review of the documents and discussions with members of the bond finance team, the transaction is structured as a true conduit financing. As indicated in the documents, the City has no obligation or liability with respect to the repayment of the Bonds.



RICHARD L. BENBOW  
General Manager

RLB:RS:NYB:CW:MMS:MS

Attachment I: Council Resolution  
Attachment II: TEFRA Minutes

**ATTACHMENT I****COUNCIL RESOLUTION**

**RESOLUTION OF THE COUNCIL OF THE CITY OF LOS ANGELES,  
CALIFORNIA APPROVING THE ISSUANCE OF TAX-EXEMPT QUALIFIED  
SMALL ISSUE BONDS IN A PRINCIPAL AMOUNT OF NOT TO EXCEED  
\$2,000,000 BY THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY  
OF LOS ANGELES TO BENEFIT DRAPES 4 SHOW, INC.**

**WHEREAS**, the Industrial Development Authority of the City of Los Angeles (the "Authority") is a public, corporate instrumentality of the State of California, duly created, established and authorized to transact business and exercise its powers, all under and pursuant to Sections 91520 *et seq.* of the California Government Code (the "Law"), and the powers of the Authority include the power to issue bonds for any of its corporate purposes; and

**WHEREAS**, the Authority intends to issue tax-exempt qualified small issue bonds, in the form of bonds or a direct loan (the "Bonds"), to finance the acquisition and improvement of a warehouse and office building (the "Project") for Drapes 4 Show, Inc., a corporation doing business in the City of Los Angeles, or any affiliate thereof (the "Borrower"); and

**WHEREAS**, actions of the Authority related to the issuance of the Bonds are subject to the approval of this Council and the Authority desires to obtain such approval; and

**WHEREAS**, pursuant to section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), and section 5f.103-2 of the Treasury Regulations (the "Regulations") promulgated under the Code, in order for interest on the Bonds to be excluded from gross income for federal income tax purposes, a public hearing with respect to the Bonds must be held and the issuance of the Bonds must be approved by an applicable elected representative; and

**WHEREAS**, notice of the public hearing required by section 147(f) of the Code and section 5f.103-2(d)(1) of the Regulations was duly published and the public hearing was held by a designated representative of the Authority;

**NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LOS ANGELES:**

**Section 1.** This Council approves the issuance of the Bonds for purposes of section 147(f) of the Code and section 5f.103-2(d)(1) of the Regulations to finance certain acquisition costs of the Project and to pay costs of issuance for the Bonds, said Bonds to be issued in such manner and under such terms and conditions as shall be acceptable to the Authority, in the aggregate principal amount of not to exceed \$2,000,000.

**Section 2.** This Council confirms that the public hearing with respect to the Bonds required by section 147(f) of the Code and section 5f.103-2(d)(1) of the Regulations was properly held by the Authority pursuant to notice as required by law.

**Section 3.** The General Manager and the Assistant General Manager of the Community Development Department, and their respective designees (each, an "Authorized Officer"), are each hereby authorized and directed to execute and deliver any indenture, trust agreement, loan agreement, security agreement and any other document deemed necessary in connection with the Bonds.

**Section 4.** The Authority is hereby authorized and directed to prepare, adopt, execute and deliver its resolutions and other agreements relating to the Bonds, and the Authority is hereby further authorized and directed to prepare, publish and distribute such other notices, documents, certificates, opinions and instruments as the Authority shall deem necessary or desirable to effectuate the sale of Bonds, and any and all prior and future such actions taken consistent with this Resolution shall be, and shall be deemed to be, the duly authorized actions of the Authority with respect thereto and are hereby approved, ratified and confirmed.

**Section 5.** All actions heretofore taken by the officers, employees and agents of the City with respect to the approval, issuance and sale of the Bonds are hereby approved, confirmed and ratified, and the officers and employees of the City and their authorized deputies and agents are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all certificates and documents which they or bond counsel may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution.

**Section 6.** The City Clerk is authorized and directed to transmit a copy of this Resolution to the Authority together with a request that the Authority retain a copy of this Resolution in the Authority's official records.

This Resolution shall take effect upon adoption.

**PASSED AND ADOPTED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2008.**

I hereby certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles, California, at its meeting held \_\_\_\_\_, 2008.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Los Angeles this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

Karen E. Kalfayan, Interim City Clerk

By: \_\_\_\_\_  
Deputy

**ATTACHMENT II**

RICHARD L. BENBOW  
GENERAL MANAGER  
COMMUNITY DEVELOPMENT  
DEPARTMENT

1200 W. 7<sup>TH</sup> STREET  
LOS ANGELES, CA 90017

**CITY OF LOS ANGELES**

CALIFORNIA



ANTONIO R. VILLARAIGOSA  
MAYOR

**INDUSTRIAL DEVELOPMENT  
AUTHORITY**

6<sup>TH</sup> FLOOR  
1200 W. 7<sup>TH</sup> STREET  
LOS ANGELES, CA 90017  
(213) 744-7111  
(213) 744-9382 FAX

**TEFRA MINUTES**

**April 29, 2008**

**Public Hearing by the Industrial Development Authority of the City of Los Angeles  
Relating to the Issuance of Tax-Exempt Industrial Development Bonds for Drapes 4  
Show, Inc., Sylmar, California (or any related entity or successor thereto)**

**Applicant:** Drapes 4 Show, Inc., (or any related entity or successor thereto)  
Council District 7

**Hearing Location:** Community Development Department  
1200 W. 7th St., 6<sup>th</sup> Floor, Los Angeles, CA 90017

**Conducting the hearing:** Melissa Soo Hoo, Management Assistant, Industrial Development Authority  
Economic Development Division, Community Development Department

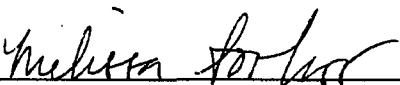
**Time Held:** 2:00 P.M.

**Date TEFRA Advertised:** April 14, 2008

**Proposed Bond Amt:** \$2,000,000

**Public Comments:** No member of the public attended the hearing. No written comments were received by Industrial Development Authority staff.

**Adjournment:** 2:30 P.M.

  
Melissa Soo Hoo  
Economic Development Division  
Community Development Department



**CRA/LA**

Building communities with jobs &amp; housing

Community Redevelopment Agency  
of the CITY OF LOS ANGELES

DATE /

JAN 17 2007

FILE CODE /

354 South Spring Street / Suite 800  
Los Angeles / California 90013-1258T 213 977 1600 / F 213 977 1665  
www.crala.orgCRA File No. 5201Council District: 7 ✓Contact Person: Duran Villegas  
(213) 977-1887

Honorable Council of the City of Los Angeles  
John Ferraro Council Chamber  
200 N. Spring Street  
Room 340, City Hall  
Los Angeles, CA. 90012

Attention: Alan Alietti, Office of the City Clerk

**COUNCIL TRANSMITTAL:**

Transmitted herewith, is a Board Memorandum adopted by the Agency Board on January 17, 2008 for City Council review and approval in accordance with the "Community Redevelopment Agency Oversight Ordinance" entitled:

**VARIOUS ACTIONS RELATED TO:**

Authorization to Execute a Condition Grant Agreement in the Amount of \$900,000 of Tax-Increment Funds with KH Enterprises, LLC for Acquisition and Rehabilitation of a Manufacturing Site Located at 12811 Foothill Boulevard, in the Sylmar Area of the Earthquake Disaster Assistance Project for Portions of Council District 7, East Valley Region.

**RECOMMENDATION**

That City Council approve(s) recommendation(s) on the attached Board Memorandum.

**ENVIRONMENTAL REVIEW**

The recommended Action is categorically exempt from the provisions of the California Environmental Quality Act ("CEQA"), pursuant to Article VII, 1. a. (1) of the CRA/LA CEQA Guidelines and Section 15301 (a) of the State CEQA Guidelines.

**FISCAL IMPACT STATEMENT**

There is no fiscal impact to the City's General Fund, as a result of this action.

Cecilia V. Estolano, Chief Executive Officer

cc: Alan Alietti, Office of the City Clerk (Original & 3 Copies on 3-hole punch)  
Lisa Johnson Smith, Office of the CAO  
Ivania Sobalvarro, Office of the CLA  
Helmi Hisserich, Office of the Mayor  
Noreen Vincent, Office of the City Attorney

**HOUSING, COMMUNITY &  
ECONOMIC DEVELOPMENT**

JAN 22 2008



**CRA/LA**

*Building communities with jobs & housing*

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bcc:      Ras Mallari  
            Nenita Tan, Office of the City Controller  
            Records (2 copies)  
            Miguel Dager  
            Duran Villegas  
            Steven Brady  
            Margarita H. de Escontrias

## THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

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## MEMORANDUM

DATE: JANUARY 17, 2008 PC2040

TO: CRA/LA BOARD OF COMMISSIONERS

FROM: CECILIA V. ESTOLANO, CHIEF EXECUTIVE OFFICER

RESPONSIBLE PARTIES: MARGARITA H. DE ESCONTRIAS, REGIONAL ADMINISTRATOR  
DURAN VILLEGAS, PROJECT MANAGER  
STEVEN BRADY, SENIOR REAL ESTATE DEVELOPMENT AGENT

SUBJECT: AUTHORIZATION TO EXECUTE A CONDITIONAL GRANT AGREEMENT IN THE AMOUNT OF \$900,000 OF TAX-INCREMENT FUNDS WITH KH ENTERPRISES, LLC FOR ACQUISITION AND REHABILITATION OF A MANUFACTURING SITE LOCATED AT 12811 FOOTHILL BOULEVARD, IN THE SYLMAR AREA OF THE EARTHQUAKE DISASTER ASSISTANCE PROJECT FOR PORTIONS OF COUNCIL DISTRICT 7, EAST VALLEY REGION (CD7)

COMMITTEE REVIEW: LOAN COMMITTEE, APPROVED 5:0; DECEMBER 5, 2007

RECOMMENDATIONS

That the CRA/LA Board of Commissioners, subject to City Council review and approval:

1. Authorize the Chief Executive Officer or designee to execute a Conditional Grant Agreement ("CRA/LA Loan") in an amount not to exceed \$900,000, with waivers to the CRA/LA Conditional Grant Policy, and other related documents between CRA/LA and KH Enterprises, LLC; and
2. Authorize subordinating the CRA/LA's Deed of Trust to the conventional lender's and the Community Development Department's Industrial Development Bond loans.

SUMMARY

Drapes 4 Show, Inc. ("Drapes") is a Calabasas-based manufacturer of finished and unfinished commercial and hospitality linens and is currently seeking to relocate and expand their business to the City of Los Angeles. Drapes, through the newly formed KH Enterprises, LLC entity, is currently in escrow to purchase an existing 16,800 square foot industrial building located at 12811 Foothill Boulevard ("Site"). The Site is approximately

## DRAPES 4 SHOW CONDITIONAL GRANT AGREEMENT

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0.62 acres in size and generally located northwest of the 118 and 210 freeway interchange (Attachment A). The Site is located in the Sylmar area within Council District 7.

Drapes was previously planning to relocate their current operations to Las Vegas, Nevada where they had purchased two homes and were seeking a new site for business expansion. However, through Drape's desire to remain a local business and retain its experienced long-term employees, and seek local programs and incentives offered by the City of Los Angeles, including CRA/LA, Community Development Department of the City of Los Angeles ("CDD") and the State Enterprise Zone, they decided to remain in Los Angeles and pursue acquiring a site and relocating their business. Drapes worked closely with a broker and CRA/LA staff to find appropriate sites, and has entered escrow to purchase the Sylmar property.

Drapes estimates the total cost to relocate from Calabasas to Sylmar at approximately \$3.6 million including acquisition, rehabilitation, and financing and other related costs. CRA/LA's economic consultant, Rosenow Spevacek Group, Inc. ("RSG") reviewed and analyzed Drape's estimated costs and projected cash flow and determined that the project had a feasibility gap of approximately \$914,000. As a result of this feasibility gap and that Drapes is unwilling to take on additional market-rate debt to achieve its business objectives, Drapes is seeking CRA/LA financial assistance of \$900,000.

CRA/LA's assistance will be in the form of a Conditional Grant Agreement, structured in the form of an Acquisition and Development Loan Agreement, with provisions for debt forgiveness over a 10-year period. In addition, the following terms and conditions will be included in the CRA/LA Loan and transaction:

1. The owner of the Site will be KH Enterprises, LLC, a newly formed California Limited Liability Corporation, with Karen Honigberg as the Managing Member.
2. The owner will relocate 30 permanent jobs to the Site.
3. The owner will execute all necessary documents in conformance with all provisions relating to CRA/LA's Living Wage, Prevailing Wage and Local Hiring programs and policies.
4. The owner will obtain other financing in the amount of \$2.0 million, in the form of Industrial Bond financing, bridge loan or other financing as described below.
5. The CRA/LA will subordinate its Deed of Trust to the conventional lender's and the Community Development Department's Industrial Development Bond loans.

RE

Initial action

## DRAPES 4 SHOW CONDITIONAL GRANT AGREEMENT

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FUNDING SOURCE

Earthquake Disaster Assistance Project Area for Portions of Council District 7 Tax Increment Funds.

PROGRAM AND BUDGET IMPACT

The recommended action, is consistent with the CRA/LA's FY08 Work Program and budget; sufficient funds exist in budget line item "Commercial and Industrial".

ENVIRONMENTAL REVIEW

The recommended action is categorically exempt from the provisions of the California Environmental Quality Act ("CEQA"), pursuant to Article VII, 1. a. (1) of the CRA/LA CEQA Guidelines and Section 15301 (a) of the State CEQA Guidelines.

BACKGROUND

Drapes is a manufacturer of commercial linens (tablecloths, napkins, convention/display table draping and backdrop features, and bed linens) used at hotels, conventions and other event-oriented functions. Clients include the Ritz-Carlton, Four Seasons, MGM Grand (Las Vegas), Intercontinental Hotels and several other high-end hotel, convention and hospitality clients. Drapes is a woman-owned business with thirty (30) employees. Karen Honigberg, the President of Drapes, began the business more than 25 years ago from her garage and has grown it into a successful, growing and well-capitalized family business. Ms. Honigberg is joined by her husband, Jack Hendershot, as Chief Financial Officer, and her son, Jason Honigberg, as Vice President of Sales. Of the 30 Drapes' employees, 24 live in the San Fernando Valley. Of them, nine employees live in one of the four CRA/LA Project Areas of the East and West Valley regions (Attachment B). Drapes indicates that they plan to hire up to ten (10) new employees upon the relocation and expansion of the business, which will provide a larger facility, newer and expanded equipment and the ability to store more variety and amounts of fabrics.

Drapes will comply with the Living Wage Policy, Prevailing Wage Policy (for construction/rehabilitation of Site) and a Local Hire Program for all new employees. The Living Wage Policy compliance will become effective on the full biweekly pay period after the close of escrow, and will apply to all existing and future employees, and run for a period of eighteen (18) years. Compliance with the Living Wage requirement will be secured through an Agreement Containing Covenants and Performance Deed of Trust, both of which will be recorded. Currently, 43% of Drapes' workforce earns at/above the 2007/2008 Living Wage rate, with the remaining 57% (17 employees) earning between \$8.00 - \$9.50/hour. Drapes provides all employees with medical coverage, and employees may purchase additional spouse/domestic partner and/or family coverage at their cost. Additionally, Drapes provides paid vacation and sick leave, and a profit participation program for all vested employees. Drapes will comply with the Living Wage requirements for an 18-year period, which is eight (8) years longer than the term of the Agreement. Drapes has also agreed to utilize the CRA/LA standard Local Hiring Program for new employees for the term of the Agreement. Drapes will also comply with the CRA/LA Art Policy, providing \$36,000 (1% of total cost) as an Arts Development Fee to the CRA/LA.

## DRAPES 4 SHOW CONDITIONAL GRANT AGREEMENT

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PROPOSED CRA/LA LOAN

The proposed CRA/LA Loan ("Loan") will provide a portion of financing (25%) to be used for Site acquisition, construction/rehabilitation and/or related costs to relocate equipment, business and staff. Drapes has asked for flexibility on the use of the funds. Drapes has executed the Agreement and all attachments. The proposed Loan will be one of three funding sources for the project's development, as detailed below.

Sources and Uses of Funds

SOURCES	TOTAL	PERCENT TOTAL
Industrial Development Bond ("IDB")	\$2,000,000	56%
CRA/LA Loan	\$900,000	25%
Karen Honigberg (Owner Equity)	\$700,000*	19%
TOTAL	\$3,600,000	100%

\*Funds will come from a verified Schwab investment account.

USES	TOTAL	PERCENT TOTAL
Purchase	\$2,680,000	74 %
Improvements	\$400,000	11%
Moving Expenses	\$100,000	3%
Bond Issuance Cost	\$70,000	2%
Escrow Fees	\$40,000	1%
FF&E	\$40,000	1%
Cash Reserve	\$270,000	8%
TOTAL	\$3,600,000	100%

The Conditional Grant Agreement will be structured as an Acquisition and Development Loan with a debt forgiveness schedule similar to a Conditional Grant. The Loan is tied to the creation and maintenance of a minimum of 30 Living Wage jobs, as well as compliance with the CRA/LA's Local Hiring Policy. Additionally, the Loan is secured by a Deed of Trust in the event of sale of the property, loan default or nonconformance to the Living Wage and Local Hiring policies, and further secured with an Agreement Containing Covenants and Performance Deed of Trust.

The Loan term will be 10 years from recordation and bear interest at 3% annually with an 18-year compliance period for Living Wage and Local Hiring. The CRA/LA will permit debt forgiveness of the Loan, including accrued interest, 10% annually for 10 years. Credit reports for Drapes and Karen Honigberg were obtained and found to be clear and without exception.

The 0.62-acre Site being purchased is an existing manufacturing site, with adequate parking

## DRAPES 4 SHOW CONDITIONAL GRANT AGREEMENT

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and allow for additional machinery, storage of materials and capacity, all of which is essential to their growth plan. Drapes obtained an independent appraisal from Alliance Valuation Group. The report, dated November 14, 2007, valued the property as is at \$2,680,000, the purchase price. A CRA/LA review appraiser is currently reviewing the report and a condition of the Agreement will be the successful review of the existing appraisal (so that loan proceeds may be used for acquisition). Drapes also obtained a Phase I report of the Site, completed by Anderson Environmental. The assessment report, dated October 19, 2007, revealed no evidence of recognized environmental conditions in connection with the property.

Underwriting Considerations

CRA/LA's economic consultant, Rosenow Spevacek Group, Inc. ("RSG"), reviewed and analyzed Drapes' complete business operation, including three years of income and expenses, business operations, vendor purchasing history, monthly cashflow, and related information, and concluded that based on the estimated transaction costs and projected cash flow to determine whether the project warranted the \$900,000 assistance that Drapes is requesting and determined that the project had a feasibility gap of approximately \$914,000. As a result of this feasibility gap, Drapes is seeking CRA/LA financial assistance of \$900,000.

Drapes' balance sheet indicates significant assets in materials and machinery, all of which will be transferred to the new site. Drapes' 2006/2007 net income of \$188,000 reflects the significant investment in materials and machinery, as well as labor and benefits costs. It should be noted that the Site being purchased has an existing billboard lease that is sold with the site. The lease was executed by the seller in 1995, has a 15-year term and currently earns \$24,000/year (base rent of \$18,000/year was increased a maximum 3% annual increase after year 4). Drapes has indicated that this income source will be invested in their expansion plan for the site, investing in machinery, improvements, staff and business development.

Staff supports the RSG analysis and recommendation.

Transaction Waivers

The proposed transaction includes waivers to the CRA/LA's Conditional Grant Policy (Grant Policy) for grants in excess of \$500,000, including:

- The Grant Policy states: Grants in excess of \$500,000 are available to non-profit entities and require a 25% match.

The proposed loan of \$900,000 will be provided to a for-profit business, and the Owner's match of \$700,000 is equal to 17% of total transaction costs. The proposed loan does comply with the CRA/LA Grant Policy with it being evidenced by a Promissory Note and secured by a recorded Deed of Trust.

Staff supports these waivers based on the following:

- High Quality Living Wage Job Creation. The proposed grant will be used by the Owner to acquire a new site for its growing business, and to bring 30 high quality

## DRAPES 4 SHOW CONDITIONAL GRANT AGREEMENT

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Project Area. All 30 jobs, as well as all new jobs, will comply with CRA/LA's Living Wage policy for a period of 18 years, well beyond the ten-year term of the Conditional Grant Agreement. Lastly, these are net new jobs to the City of Los Angeles, as the Owner is relocating from Calabasas, an incorporated city in the west San Fernando Valley.

- Local Hire Program. Owner has agreed to comply with the CRA/LA's Local Hiring Program for all new employees.
- Prevailing Wage Policy. Owner has agreed to comply with the CRA/LA's Prevailing Wage Policy for all construction/rehabilitation of the new site.
- Loan Amount is Determined by Market Costs. The proposed grant amount of \$900,000 reflects the gap financing required for Drapes to acquire and rehabilitate a permanent site for their business. Therefore, all transaction costs have been evaluated and deemed correct.
- Investment in Locally Owned and Operated Business. The proposed grant provides needed funds for a locally owned and operated business to relocate and expand its business operations. The business is a successful, long standing women-owned business of more than 25 years, and this Site will enable it to expand storage of linen materials for manufacture, expand production (additional employees), and take advantage of economic incentives such as CRA/LA funds, industrial bond financing and State Enterprise Zone tax credits.
- Significant Owner Investment. The proposed transaction includes significant investment by the Owner, Karen Honigberg and family, including relocating its business much farther from the principal's current homes, a cash investment of \$700,000 from Ms. Honigberg's personal investment account, a commitment toward CRA/LA Living Wage, Prevailing Wage and Local Hire policies, and a strategic move to own a larger facility that will provide new cost efficiencies and business opportunities.
- Improve Existing Manufacturing Site. The proposed acquisition of the 12811 Foothill Boulevard site in Sylmar provides an opportunity for both internal and external improvements to an existing facility in average condition. The proposed rehabilitation plan will invest funds in new systems and interiors for the business to operate safely and more efficiently.
- Economic Investment Meets Goals of Project Area. The proposed investment meets many goals of the Pacoima/Panorama City Project Area, including job creation and improving blighted and underutilized businesses.

Councilmember Richard Alarcón is aware of and supports this project.

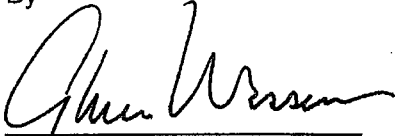


DRAPES 4 SHOW CONDITIONAL GRANT AGREEMENT

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Cecilia V. Estolano  
Chief Executive Officer

By

A handwritten signature in black ink, appearing to read "Glenn Wasserman", written over a horizontal line.

Glenn F. Wasserman  
Chief Operating Officer

There is no conflict of interest known to me to exist with regard to any CRA/LA officer or employee concerning this action.

Attachment A  
Attachment B

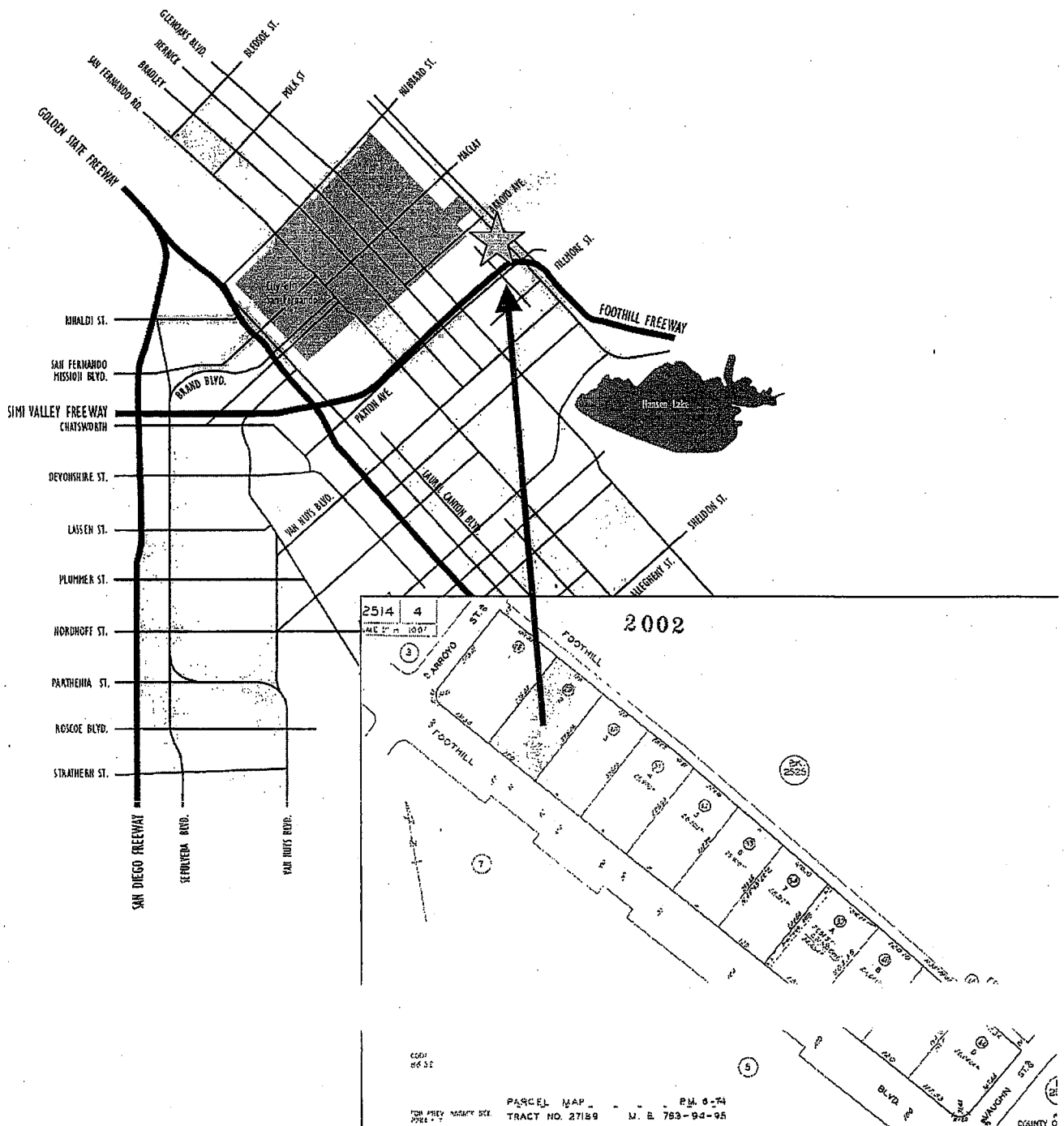
Site Map  
Draper 4 Show Employee Residence Map

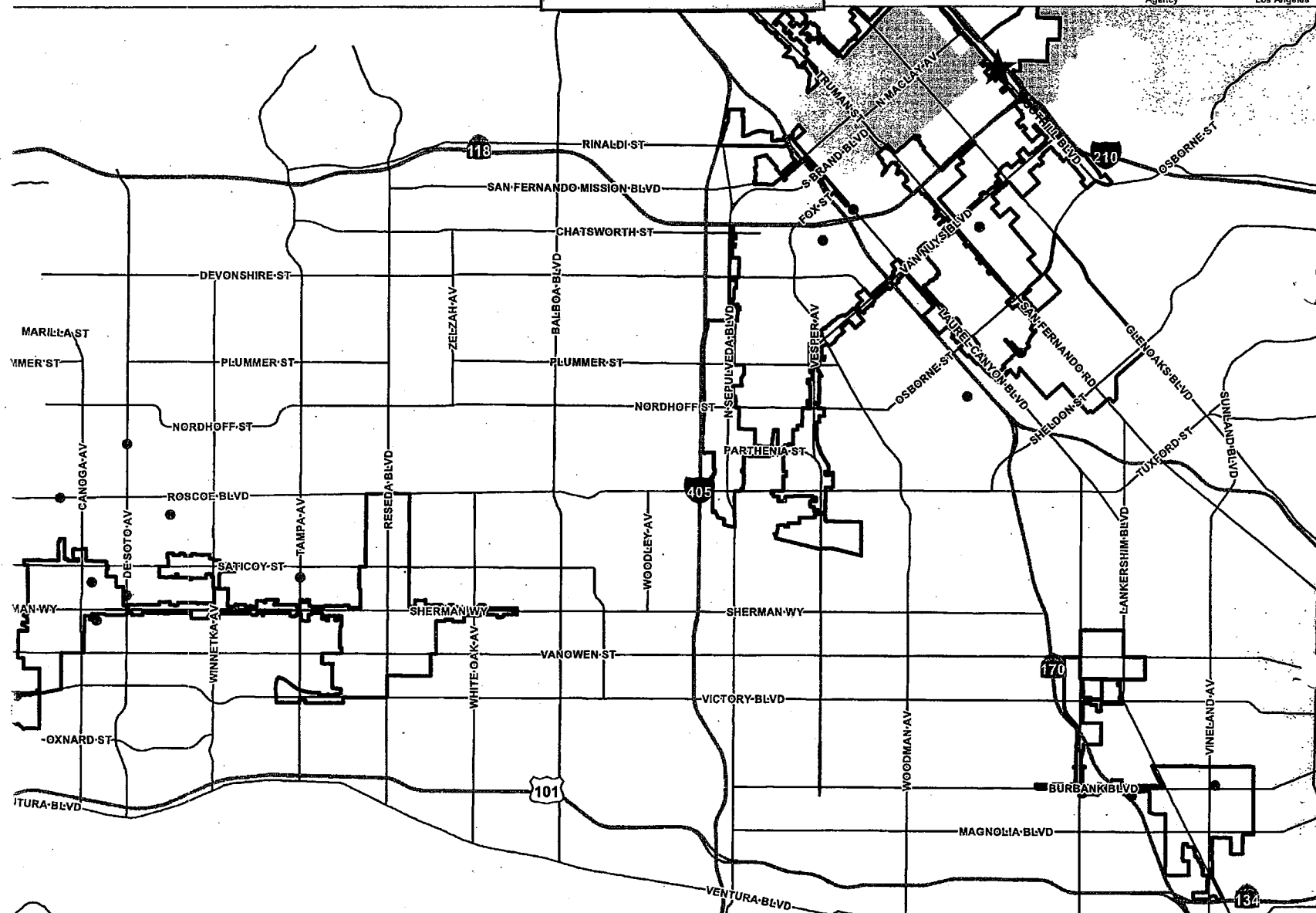
## ATTACHMENT A

## SITE LOCATION MAP

## Pacoima/Panorama City

CRA/LA





Legend

- ★ Business Site
- Employees